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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY
USWEST

Lawrence E. Sarjeant
Vice President -
Federal Regulatory

December 13, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Stop Code 1170
Washington, D.C. 20554

RE: CC Docket No. 94-1 NOTICE OF EX PARTE PRESENTATION

Dear Mr. Caton:

On December 12, 1994, Richard D. McCormick, Chairman, President and CEO of U S WEST, Inc., H. Laird Walker, Vice President, Federal Relations, U S WEST, Inc. and the undersigned met with Federal Communications Commission Commissioner Rachelle Chong, Richard Welch, Legal Advisor, and Rhonda Lien, Intern, on behalf of U S WEST Communications, Inc. ("USWC"). At this meeting, the USWC representatives discussed USWC's performance under the current Price Cap regulatory scheme and the consideration that should be given to that performance as the Commission considers amendments to its Price Cap rules. Attached hereto are copies of the charts that were distributed during this meeting.

Pursuant to Commission Rules 1.1206(a)(2), the original and one copy of this ex parte summary and attachments are being submitted for filing. Due to the fact that this was one of several consecutive meetings that concluded in the late afternoon, this summary is being filed on the next business day after the presentation. Acknowledgment and date of receipt are requested on the additional copy that has been provided. Please do not hesitate to contact me if you have questions.

Very truly yours,

Lawrence E. Sarjeant

Attachments

cc: Commissioner Rachelle Chong
Richard Welch
Rhonda Lien

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U S WEST PRICE CAP PERFORMANCE

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Productivity Offset Selections

<u>Company</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1991</u>
Ameritech	3.3%	3.3%	3.3%	3.3%
Bell Atlantic	3.3	3.3	3.3	3.3
Bell South	3.3	3.3	4.3	3.3
GTE *	N/A	N/A	N/A	N/A
NYNEX	3.3	3.3	3.3	3.3
Pacific Bell	4.3	3.3	3.3	3.3
Southwestern Bell	3.3	3.3	3.3	3.3
U S WEST	3.3	4.3	4.3	4.3

* Productivity Election by Study Area 3.3 and 4.3

U S WEST has selected the 4.3% productivity offset for three years under the current plan.

Comparison of Price Changes Using 3.3% and 4.3% Productivity Offsets

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>CUM</u>
Filed Price Reductions	(\$81M)	(\$91M)	(\$57M)	(\$36M)	(\$265M)
Impact of 3.3%	0	+20M	+40M	+60M	
Sharing Adjustment for 3.3%	<u>0</u>	<u>0</u>	<u>(11M)</u>	<u>(36 M)</u>	
Price Reductions Using 3.3%	(\$81M)	(\$71M)	(\$28M)	(\$12M)	(\$192M)

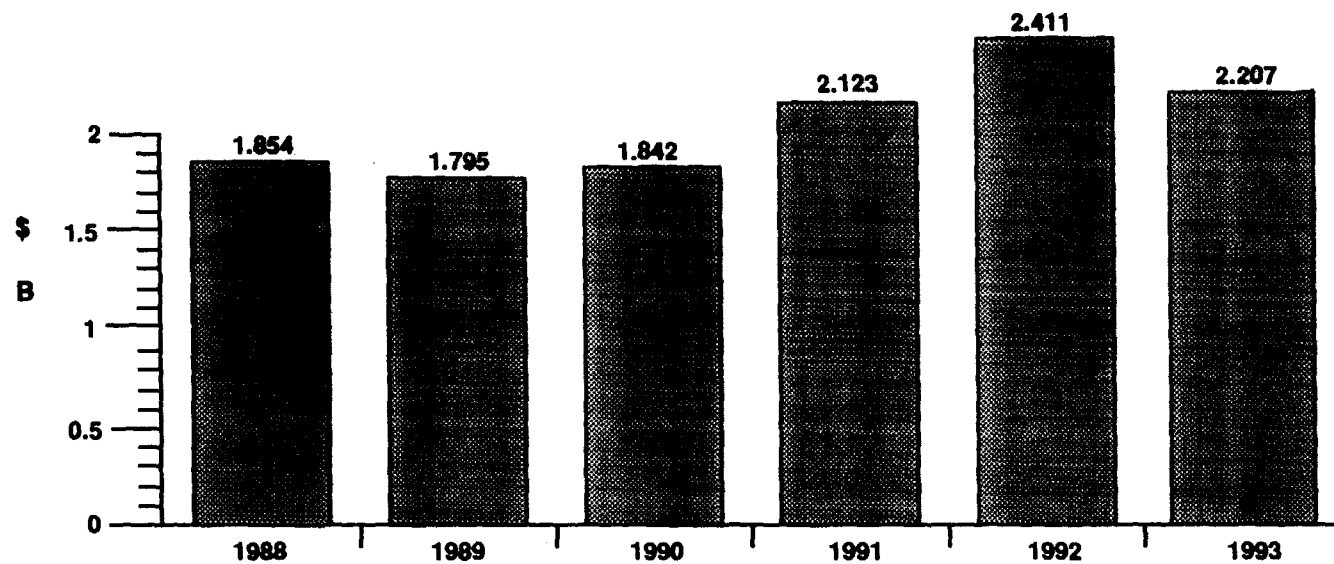
U S WEST has provided permanent price reductions of \$265M, which is \$73M greater than using a 3.3% productivity.

U S WEST Interstate Rate of Return and Sharing During the Price Cap Plan

	<u>Rate of Return</u>	<u>Sharing</u>
1991	12.40%	\$ 6M
1992	12.41%	0
1993	13.62%	\$12M

U S WEST earnings and sharing are reasonable and not excessive.

U S WEST Infrastructure Investments



U S WEST has stepped up infrastructure investment, investing \$6.7 Billion since adoption of price cap and converted 639 rural switches to digital.